

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 691

INFO AMCONSUL FLORENCE VIA POUCH

AMCONSUL GENOA VIA POUCH

AMCONSUL MILAN

AMCONSUL PALERMO VIA POUCH

AMCONSUL NAPLES

AMCONSUL TRIESTE VIA POUCH

AMCONSUL TURIN VIA POUCH

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E.O. 11652: N/A

TAGS: EIND, IT

SUBJECT: MONTEDISON REVELATIONS

1. SUMMARY: BUDGET MINISTER ANDREOTTI REVEALED SECRET ROLE PLAYED BY STATE HYDROCARBONS AUTHORITY ENI IN PURCHASE OF ITALIAN CHEMICAL COMPANY MONTEDISON STOCK. ANDREOTTI'S ANNOUNCEMENT CLARIFIES SOMEWHAT SITUATION WHICH HAD LED TO RESIGNATION (LATER RE-CONSIDERED) OF MONTEDISON PRESIDENT EUGENIO CEFIS. END SUMMARY.

2. IN LONG APRIL 15 SENATE SPEECH, BUDGET MINISTER GIULIO ANDREOTTI (DC) REVEALED THAT ENI, USING SUBSIDIARIES AND FOREIGN HOLDING COMPANIES, HAS SECRETLY --AND PROBABLY ILLEGALLY-- PURCHASED 2 PERCENT OF MONTEDISON'S SHARES AND GUARANTEED PURCHASE OF ADDITIONAL 4 PERCENT. THE ACTION HAD BEEN LIMITED OFFICIAL USE

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"APPROVED" BY GOI, ACCORDING TO ANDREOTTI. THE SECRECY STEMS

FROM (A) GOI/ENI CONCERNS THAT PUBLIC INTEREST INSUFFICIENTLY REPRESENTED IN MONTEDISON MAKING HARMONIZATION AND COORDINATION DIFFICULT WITHIN ITALIAN CHEMICAL INDUSTRY AND (B) NEED TO CORCUMVENT PROHIBITION ON FURTHER ENI PURCHASES OF MONTEDISON SHARES CONTAINED IN AGREEMENT ESTABLISHING FIRST MONTEDISON "CONTROL SYNDICATE" ON BASIS OF STRICT EQUALITY BETWEEN PUBLIC SECTOR (ENI, AND GOI INDUSTRIAL SECTOR HOLDING COMPANY IRI) AND PRIVATE INTERESTS (BASTOGI, PESENTI GROUP, MONTI, PIRELLI AND OTHERES).

3. ORIGINAL "PRIVATE" MEMBERS INCLUDED FIDUCIARY COMPANIES EURAMERICA AND SWISS-BASED NICOFICO. THE TRUE SHAREHOLDERS WERE NOT KNOWN, AND THIS PRECIPATED THE MARCH, 1975 MANAGEMENT CRISIS AT MONTEDISON. PRESIDENT CEFIS RESIGNED, BUT WAS PERSUADED TO REASSUME THE PRESIDENCY AFTER OBTAINING PROMISES THAT FIDUCIARY COMPANIES WOULD NO LONGER BE PERMITTED ON CONTROL SYNDICATE. NEW CONTROL SYNDICATE CONSTITUTED AS FOLLOWS:

GROUP SHAREHOLDINGS (IN MILLIONS)
(OLD HOLDING IN PARENTHESIS)

PUBLIC

ENI	108.7	(108.2)
IRI	31.5	(31.5)
TOTAL	140.2	(139.7)

PRIVATE

BASTOGI (HOLDING COMPANY)	58.9	(49.1)
PESENTO GROUP (HOLDING, CEMENT-BASED)	12.2	(12.0)
MONTI GROUP (HOLDING, OIL-BASED)	15.0	(15.0)
PIRELLI (HOLDING, RUBBER-BASED)	2.6	(2.6)
MEDIOBANCA/IMI/ICIPU (GOI-FINANCIAL INSTITUTIONS)	46.5	0)
FONDIARIE GROUP (INSURANCE)	1.3	(1.3)
NICOFICO	0	(12.1)
EURAMERICA	0	(43.9)
TOTAL	136.3	(136.0)

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4. COMMENT: THE ANDREOTTI SPEECH IS ONLY THE LATEST DEVELOPMENT IN A LONG, COMPLEX SERIES OF EVENTS INVOLVING MONTEDISON, VARIOUS STATE PARTICIPATION COMPANIES, THE GOVERNMENT AND THE POLITICAL PARTIES. THE ANDREOTTI SPEECH, SOME 18 PAGES, IS A SELDOM-AFFORDED GLIMPSE OF THE MANEUVERING AMONG ITALY'S ELITE POLITICAL AND ECONOMIC MANAGERS. PRE-DICTABLE, THE SPEECH HAS RAISED MORE QUESTIONS THAN WERE

ANSWERED. THESE WILL BE ADDRESSED DURING THE CONTINUING
DEBATE ON THE PROPRIETY OF THE ENI (AND GOI) ACTIONS.

5. COMMENT: LARGER ISSUES RAISED INCLUDE (A) PROPER RELATION
OF STATE-PARTICIPATION ENTERPRISES TO PRIVATE ONES, (B) ROLE
OF POLITICAL PARTIES, AND (C) GOI ROLE IN CHEMICAL INDUSTRY.
RE (C), ANDREOTTI ANNOUNCED CREATION OF A NEW COMMITTEE TO
HARMONIZE INVESTMENT IN ITALIAN CHEMICAL INDUSTRY. SIGNIFICANCE
ANDREOTTI REMARKS UNCLEAR EVEN TO INFORMED OBSERVERS
BUT CURRENT THEORIES SUGGEST MAJOR IMPORT WILL BE RE-CYCLING OF
PERSONALITIES AND MANAGERS RATHER THAN SUBSTANTIVE CHANGE IN
DIRECTION OF GOI CHEMICAL POLICIES .BEAUDRY

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